

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Lansing Brownfield Redevelopment Authority	County Ingham
Fiscal Year End June 30, 2006	Opinion Date November 3, 2006	Date Audit Report Submitted to State December 28, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 517.787.6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49203
Authorizing CPA Signature 		Printed Name Stephen W. Blann, CPA, CGFM		License Number 24801

**LANSING BROWNFIELD
REDEVELOPMENT AUTHORITY**
(A Component Unit of the
City of Lansing, Michigan)

Lansing, Michigan

BASIC FINANCIAL STATEMENTS

**For the Year Ended
June 30, 2006**



REHMANN ROBSON

Certified Public Accountants

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY
(A Component Unit of the
City of Lansing, Michigan)

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

November 3, 2006

Board of Directors
Lansing Brownfield Redevelopment Authority
City of Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the ***Lansing Brownfield Redevelopment Authority, a component unit of the City of Lansing, Michigan***, as of and for the year ended June 30, 2006, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the ***Lansing Brownfield Redevelopment Authority*** as of June 30, 2006, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Authority has not presented Management's Discussion and Analysis as required supplementary information. The GASB has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2006, on our consideration of Lansing Brownfield Redevelopment Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Lansing Brownfield Redevelopment Authority's basic financial statements. The combining schedule of revenues and expenditures listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

BASIC FINANCIAL STATEMENTS

Lansing Brownfield Redevelopment Authority
Statement of Net Assets
June 30, 2006

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 330,483
Accounts receivable	21,000
Bond issuance costs	<u>71,328</u>
Total assets	<u>422,811</u>
Liabilities	
Accounts payable	25,192
Due to Lansing EDC	4,739
Accrued interest payable	34,858
Long term debt, due in more than one year	<u>2,225,000</u>
Total liabilities	<u>2,289,789</u>
Net assets - unrestricted (deficit)	<u><u>\$ (1,866,978)</u></u>

The accompanying notes are an integral part of these financial statements.

Lansing Brownfield Redevelopment Authority
Statement of Activities
For the Year Ended June 30, 2006

Functions / Programs	Program Revenues			Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	
Governmental activities:				
Redevelopment	\$ 503,244	\$ 2,500	\$ 53,996	\$ (446,748)
Interest and fiscal charges	17,574	-	-	(17,574)
Total governmental activities	<u>\$ 520,818</u>	<u>\$ 2,500</u>	<u>\$ 53,996</u>	<u>(464,322)</u>
General revenues:				
Property taxes				390,125
Unrestricted investment earnings				<u>15,912</u>
Total general revenues				<u>406,037</u>
Change in net assets				(58,285)
Net assets (deficit), beginning of year				<u>(1,808,693)</u>
Net assets (deficit), end of year				<u><u>\$ (1,866,978)</u></u>

The accompanying notes are an integral part of these financial statements.

Lansing Brownfield Redevelopment Authority
Balance Sheet
Governmental Funds
June 30, 2006

	<u>Brownfield Special Revenue Fund</u>
<u>ASSETS</u>	
Assets	
Cash	\$ 330,483
Accounts receivable	<u>21,000</u>
Total assets	<u><u>\$ 351,483</u></u>
<u>LIABILITIES AND FUND BALANCES</u>	
Liabilities	
Accounts payable	\$ 25,192
Due to the City of Lansing EDC	<u>4,739</u>
Total liabilities	29,931
Fund balances	
Unreserved:	
Undesignated	<u>321,552</u>
<u>TOTAL LIABILITIES AND FUND BALANCES</u>	<u><u>\$ 351,483</u></u>

The accompanying notes are an integral part of these financial statements.

Lansing Brownfield Redevelopment Authority
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2006

Fund balances - total governmental funds	\$	321,552
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Amounts reported for governmental activities in the statement of net assets are different because:

Costs associated with the issuance of bonds are expended in the individual funds, but are capitalized and amortized over the life of the bonds in the statement of net assets.

Add: deferred charges for bond issuance costs		71,328
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Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: long term debt		(2,225,000)
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Deduct: accrued interest payable		<u>(34,858)</u>
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Net assets of governmental activities	\$	<u><u>(1,866,978)</u></u>
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The accompanying notes are an integral part of these financial statements.

Lansing Brownfield Redevelopment Authority
Statement of Revenue, Expenditures, and Changes
in Fund Balance - Budget and Actual
Special Revenue Fund
For the Year Ended June 30, 2006

	Original/ Final Budget	Actual	Actual Over (Under) Budget
Revenue			
Property taxes	\$ 942,030	\$ 390,125	\$ (551,905)
Interest	-	15,912	15,912
Grants	-	53,996	53,996
Other	-	2,500	2,500
	<hr/>	<hr/>	<hr/>
Total revenue	942,030	462,533	(479,497)
	<hr/>	<hr/>	<hr/>
Expenditures			
Administrative	55,024	17,288	(37,736)
Capital projects	546,824	353,744	(193,080)
Capital projects - EPA Brownfield Cleanup Revolving Loan Fund	-	17,222	17,222
Interest and fiscal charges	-	104,945	104,945
	<hr/>	<hr/>	<hr/>
Total expenditures	601,848	493,199	(108,649)
	<hr/>	<hr/>	<hr/>
Net change in fund balance	340,182	(30,666)	(370,848)
	<hr/>	<hr/>	<hr/>
Fund balance, beginning of year	352,218	352,218	-
	<hr/>	<hr/>	<hr/>
Fund balance, end of year	<u><u>\$ 692,400</u></u>	<u><u>\$ 321,552</u></u>	<u><u>\$ (370,848)</u></u>

The accompanying notes are an integral part of these financial statements.

Lansing Brownfield Redevelopment Authority
Reconciliation of the Statement of Revenues, Expenditures
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2006

Net change in fund balances - total governmental funds	\$ (30,666)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Deduct: amortization of bond issuance costs	(10,190)
Add: prior year accrued interest on bonds	17,429
Deduct: current year accrued interest on bonds	<u>(34,858)</u>

Change in net assets of governmental activities	<u><u>\$ (58,285)</u></u>
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The accompanying notes are an integral part of these financial statements.

LANSG BROWNFELD REDEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – These financial statements present the activities of the Lansing Brownfield Redevelopment Authority (the “Authority”). The Authority was established August 17, 1997, pursuant to Public Act 381 of 1996. The primary purpose of the Authority is to revitalize environmentally distressed areas in the City of Lansing. The Authority’s activities are primarily funded through tax increment financing.

The Authority is a component unit of the City of Lansing, Michigan (the “City”) because the City appoints the Authority’s Board of Directors, it has the ability to significantly influence the Authority’s operations, and it is financially accountable for the Authority as defined under GASB Statement No. 14, *The Financial Reporting Entity*. Accordingly, the Authority is presented as a discrete component unit in the City’s financial statements and is an integral part of that reporting entity.

Government-wide and Fund Financial Statements – The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. Direct expenses are those that are clearly identifiable activities with a specific function or identifiable activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a function or identifiable activity and 2) grants and contributions that are restricted to meeting the operational requirement of a particular function or identifiable activity. Property taxes not properly included among program revenues are reportable instead as general revenues.

Measurement Focus, Basis of Accounting and Financial Statement Presentation – The government-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Authority reports a single major governmental fund – the special revenue fund. The *special revenue fund* is the Authority's primary operating fund. It accounts for all financial resources of the Authority, except those required to be accounted for in another fund, if any.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

Long-term Obligations – In the government-wide financial statements, long-term debt is reported as a liability. Bond discounts, as well as issuance costs, if any, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Budgetary Information – The Authority has established the following procedures for determining the budgetary data presented in the accompanying financial statements:

- The secretary of the Authority's Board of Directors submits to the City Council of the City of Lansing a proposed operating budget for the fiscal year commencing the following July 1st. The budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to July 1st, the budget is legally adopted by City Council resolution, pursuant to the Uniform Budgeting and Accounting Act (P.A. 621). This act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or to allow expenditures in excess of original estimates. Expenditures shall not be made or incurred unless authorized in the budget and shall not exceed the amount appropriated.

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

- Formal budgetary integration is employed as a management control device during the year for the funds.
- Budgets are adopted on a basis consistent with generally accepted accounting principles.
- The budget is adopted at the functional level as reported in the budgetary comparison schedules, which are included as required supplementary information. Expenditures may not exceed budget at the functional level.

2. CASH AND INVESTMENTS

Deposits - At year-end, the carrying amount of the Authority's deposits was \$330,483. Of the \$335,864 bank balance, \$200,000 was covered by federal depository insurance, the remaining balance of \$134,864 was uninsured and uncollateralized.

The Authority follows the investment policy of the City of Lansing.

3. LONG-TERM LIABILITIES

Annual debt service requirements to maturity for the Authority's debt, are as follows:

Year Ended June 30	Principal	Interest	Total
2007	\$ -	\$ 104,575	\$ 104,575
2008	165,000	104,575	269,575
2009	365,000	96,820	461,820
2010	425,000	79,665	504,665
2011	450,000	59,690	509,690
2012-2016	820,000	58,045	878,045
	\$ 2,225,000	\$ 503,370	\$ 2,728,370

LANSING BROWNFIELD REDEVELOPMENT AUTHORITY

Notes To Basic Financial Statements

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2006, were as follows:

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2006</u>
General Obligation Limited Tax Bonds Payable, Series 2004	<u>\$ 2,225,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,225,000</u>

3. PROPERTY TAXES

Property tax revenue is derived pursuant to a tax increment financing agreement between the Authority and various applicable taxing districts. Real and personal property taxes are levied and attach as an enforceable lien on properties located within the boundaries of the tax increment financing district. The City of Lansing bills and collects the taxes on behalf of the Authority. Delinquent taxes on ad valorem real property are purchased by Ingham County. Property tax revenue is recognized when levied in the government-wide financial statements and in the fund financial statements to the extent that it results in current receivables.

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Lansing Brownfield Redevelopment Authority
Combining Schedule of Revenues and Expenditures
Brownfield Plans
For the Year Ended June 30, 2006

	Plan # 1 - Rite Aid	Plan # 2 - Motor Wheel	Plan # 5 - BTS Site Site	Plan #6 - BOJI Site
Revenues				
Property taxes	\$ 15,548	\$ 111,135	\$ 21,130	\$ 166,004
Interest	-	-	6,228	-
Grants	-	-	-	-
Other	-	-	-	-
Total revenues	15,548	111,135	27,358	166,004
Expenditures				
Administration	-	5,557	415	6,640
Capital projects	-	105,578	-	159,364
Capital projects - EPA Brownfield Cleanup Revolving Loan Fund	-	-	-	-
Interest and fiscal charges	-	-	104,800	-
Total expenditures	-	111,135	105,215	166,004
Revenue over (under) expenditures	15,548	-	(77,857)	-
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(15,548)	-	(3,441)	-
Total other financing sources (uses)	(15,548)	-	(3,441)	-
Net change in fund balances	-	-	(81,298)	-
Fund balances, beginning of year	-	-	268,300	-
Fund balances, end of year	\$ -	\$ -	\$ 187,002	\$ -

Plan # 7 - Cap-Lab Property	Plan # 8 - David L. Nickelson Development	Plan # 9 - Former Schafer Bakery Site	Plan # 10 - Neogen Corporation Redevelopment	Plan # 11 - Neophase Development	Plan # 12 - Bean Management	Plan # 14 - Assessment Grant
\$ 12,116	\$ 28,235	\$ 103	\$ 8,911	\$ 11,245	\$ 7,481	\$ 1,789
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
12,116	28,235	103	8,911	11,245	7,481	1,789
-	1,411	10	891	1,124	748	52
-	26,824	66	8,020	10,121	6,733	1,296
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	28,235	76	8,911	11,245	7,481	1,348
12,116	-	27	-	-	-	441
-	-	-	-	-	-	-
(12,116)	-	-	-	-	-	-
(12,116)	-	-	-	-	-	-
-	-	27	-	-	-	441
-	-	-	-	-	-	-
\$ -	\$ -	\$ 27	\$ -	\$ -	\$ -	\$ 441

Lansing Brownfield Redevelopment Authority
Combining Schedule of Revenues and Expenditures
Brownfield Plans
For the Year Ended June 30, 2006

	Plan # 15 - Cedar Petroleum Redevelopment	Plan # 16 - Metro Ford	Plan # 17 - Builders Plumbing & Heating Supply Redevelopment	Plan # 19 - Styleline Building
Revenues				
Property taxes	\$ 74	\$ 3,760	\$ 1,384	\$ 293
Interest	-	-	-	-
Grants	-	-	-	-
Other	-	-	-	-
Total revenues	74	3,760	1,384	293
Expenditures				
Administration	7	124	138	21
Capital projects	48	1,119	891	189
Capital projects - EPA Brownfield Cleanup Revolving Loan Fund	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	55	1,243	1,029	210
Revenue over (under) expenditures	19	2,517	355	83
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net change in fund balances	19	2,517	355	83
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ 19	\$ 2,517	\$ 355	\$ 83

Plan # 20 - LorAnn Oils	Plan # 21 - Wohlert Building	Brownfield Assessment Grant	Brownfield Cleanup Revolving Loan Funds	Local Site Remediation Revolving Fund	Local Assessment Revolving Fund	Totals
\$ 227	\$ 690	\$ -	\$ -	\$ -	\$ -	\$ 390,125
-	-	-	-	9,684	-	15,912
-	-	34,158	19,838	-	-	53,996
-	-	-	-	2,500	-	2,500
227	690	34,158	19,838	12,184	-	462,533
24	126	-	-	-	-	17,288
193	487	32,815	-	-	-	353,744
-	-	-	17,222	-	-	17,222
-	-	-	-	145	-	104,945
217	613	32,815	17,222	145	-	493,199
10	77	1,343	2,616	12,039	-	(30,666)
-	6	-	-	15,547	15,557	31,110
(5)	-	-	-	-	-	(31,110)
(5)	6	-	-	15,547	15,557	-
5	83	1,343	2,616	27,586	15,557	(30,666)
-	-	-	-	33,400	50,518	352,218
\$ 5	\$ 83	\$ 1,343	\$ 2,616	\$ 60,986	\$ 66,075	\$ 321,552



REHMANN ROBSON

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

November 3, 2006

Board of Directors
Lansing Brownfield Redevelopment Authority
City of Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the ***Lansing Brownfield Redevelopment Authority, a component unit of the City of Lansing, Michigan*** as of and for the year ended June 30, 2006, and have issued our report thereon dated November 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lansing Brownfield Redevelopment Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over compliance, financial reporting and/or operating efficiency that we have reported to management of Lansing Brownfield Redevelopment Authority in a separate letter dated November 3, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lansing Brownfield Redevelopment Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



November 3, 2006

To the Board of Directors of the
Lansing Brownfield Redevelopment Authority
Lansing, Michigan

We have audited the financial statements of Lansing Brownfield Redevelopment Authority for the year ended June 30, 2006, and have issued our report thereon dated November 3, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America

As stated in our engagement letter dated September 11, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Lansing Brownfield Redevelopment Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Lansing Brownfield Redevelopment Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the Lansing Brownfield Redevelopment Authority during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Lansing Brownfield Redevelopment Authority's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Lansing Brownfield Redevelopment Authority, either individually or in the aggregate, indicate matters that could have a significant effect on the Lansing Brownfield Redevelopment Authority's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Lansing Brownfield Redevelopment Authority's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Board of Directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson", is written over a light blue horizontal line.

Lansing Brownfield Redevelopment Authority

Comments and Recommendations

For the Year Ended June 30, 2006

During our audit we became aware of certain issues regarding internal control and financial reporting. This memorandum summarizes our comments and suggestions regarding these matters. This memorandum does not affect our report dated November 3, 2006 on the financial statements of the Lansing Brownfield Redevelopment Authority.

Internal Control – Segregation of Duties

Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the Authority's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the government's unique circumstances.

As is the case with many organizations of similar size, the Authority lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Events of recent years have given rise to a heightened awareness of the risks of fraud and abuse, especially in the governmental environment, where public accountability is at its highest. The purpose of internal controls is to provide reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are properly authorized and recorded. Any limitations on the effectiveness of a government's internal controls carries with it a greater risk of fraud and abuse.

As stated previously, the establishing and maintaining of internal controls is the responsibility of management. As the Authority's independent external auditors, we are specifically banned by professional standards from performing any management functions. In other words, the annual audit is not a part of the Authority's internal control structure, and cannot not be relied upon as part of *management's* systems to deter or detect fraud and abuse.

While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

We are pleased to note that for the 2007 fiscal year the Authority has turned over the accounting function to the City of Lansing. This will help ensure proper segregation of duties.

Lansing Brownfield Redevelopment Authority

Comments and Recommendations

For the Year Ended June 30, 2006

Other Internal Control Considerations – Journal Entries

As part of our audit, we examined various journal entries to comply with Statement of Auditing Standards (SAS) 99 requirements. We noted that journal entries prepared by employees are not kept with adequate supporting documentation and are not initialed or signed by someone other than the preparer as a check for journal entry completeness and accuracy. Although the Authority did have an outside accounting firm proposing journal entries and assisting with accounting functions, we recommend that all journal entries be initialed and dated by both the preparer and reviewer in order to enhance internal controls.

As noted above, the accounting function of the Brownfield will be handled by the City of Lansing in future years.

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